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FOREIGN SERVICE DESPATCH

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FROM: American Consulate, Accra
DESP. NO. 245
DATE: May 18, 1956

TO PORTIONS OF THE DEPARTMENT OF STATE, WASHINGTON.

REF: Despatch No. 228, May 1, 1956

For Dept. Use Only	ACTION	DEPT.
	WEA-4	Rep-2, RmR-2, OLI-6, E-4, EUR-5
	REC'D 6/8	INFO OTHER: Com-10, FRB-2, TR-3, IN-7, FPC-1, Army-4, Navy-3, AIR-3

SUBJECT: Probable Future Developments in Connection with the Volta River Project

[redacted] £231,000,000 as the total cost of Stage One and Stage Two of the Volta River Project. This figure includes all matters even indirectly connected with the project, such as the construction of Tema Harbor and the Tema township, which are already in progress, the building of trunk roads in the interior, etc. It is doubtful if the Canadians and British will accept this over-all figure, since it is clear that Tema would have to be built even if the project does not materialize. This figure, however, does not include provision for rises in prices, labor, etc. [redacted]

In evaluating the financial problems related to Volta River, it is clearly of importance to arrive at a realistic appraisal of the relationship of cocoa prices to the economy of the country. This is a subject on which the several economic experts within the Government are not in agreement. The Reporting Officer hopes to have further information on the matter at a later date. The Preparatory Commission, in its estimates, has used the figure of £180 per ton as existence level for the Gold Coast economy. This is very close to the budget figure of £176 given by Gbedemah in 1955. It should be emphasized that this does not include any funds for development. [redacted] base figure of £200 would be the necessary level to include the Volta River Project. In this instance as well, no other expenses can be incurred for development. According to the best estimates [redacted] to secure in the United Kingdom, the cocoa price can be expected to average about £200, but no more, in the foreseeable future. American estimates appear to be slightly more optimistic. As the Department is doubtless aware, it will not be politically feasible in the Gold Coast to stop all general development plans. All Members of the Legislative Assembly from rural areas need some plum, however small, to show that they are adequately representing the needs of their constituencies. However, the money spent on development can be substantially reduced from the present level if necessary.

[redacted] a nucleus of the Preparatory Commission is still being retained. [redacted]

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[redacted] anticipates that the Commission's report will not be released publicly until the end of July. He will remain in the Gold Coast for about three weeks to evaluate the public reaction and then go on leave.

Gbedemah has informed the Reporting Officer that the mission from the World Bank and International Monetary Fund will arrive in the Gold Coast about October. [redacted] persuade the Bank to accelerate this schedule and begin about September. It is understood that the mission will study the Volta River Project as well as consider the creditworthiness of the country.

[redacted] At that time they hope the Bank's views will be available and that the Gold Coast Government will make a decision. This desire to have the Bank's view on Volta River by the end of the year is also shared by the Cabinet.

[redacted] is rather optimistic in expecting any decision by the Government at that time; it seems more logical to anticipate that the decision will be postponed until after independence.

[redacted] In evaluating the various courses which the Gold Coast might take, two assumptions must be made: (1) that popular reaction to the Volta River Report is either favorable or not actively hostile, and (2) that the report of the World Bank is favorable. If these conditions are met, three possible courses of action seem possible, [redacted] they are likely to be considered in the sequence given below.

The most likely possibility is that the Gold Coast Government will decide to accept in principle the views of the Canadians and British, but seek certain modifications favorable to their interests. Considerable negotiation would doubtless be necessary to reach an agreement. If this step fails, or is not adopted by the Gold Coast Government, the next step would presumably be to seek an agreement with some other party. There are a number of possibilities under this heading. An effort might be made to interest a group of independent aluminum companies. Alternatively the Gold Coast might decide to try and do the whole job itself. In this event extensive loan financing would be necessary, either from the World Bank or some other source. The final possibility under this heading, of course, could be an attempt to interest Russia and play the West off against the East. The third alternative would be to shelve the whole matter for the present time. It is quite possible that, if economic conditions are not good, the Government might consider the last alternative first, preferring for political reasons to ensure sufficient funds for other development projects.

It is quite clearly in the minds of those considering this whole question that the United States will need to be drawn into the matter, either directly or indirectly, at some stage, either in connection with the financing of the Volta River Project itself, in the maintenance of other development projects or both. Without prejudging this issue, the Reporting Officer feels that it is necessary to have a clear /

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understanding of the true financial situation of the country in relation to the cocoa price. Efforts are being made to obtain further data on this subject from informed sources. Meanwhile it is strongly recommended that should officers in the Department be approached on this subject, we should remain interested but non-committal.

Donald W. Lamm
American Consul General

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